

## SECRETARY COHEN RESHAPES DEFENSE FOR THE 21<sup>ST</sup> CENTURY

Immediate Release

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Secretary of Defense William S. Cohen today announced a sweeping program to reform the “business” of the Department of Defense, from corporate headquarters at the Pentagon to the many agencies that support servicemembers and their families. The Secretary was joined by Vice President Al Gore, who endorsed the effort as exemplifying the objectives of the National Performance Review. They were also joined by Chairman of the Joint Chiefs of Staff Gen. Henry H. Shelton and Deputy Secretary of Defense John J. Hamre, whom Secretary Cohen tasked to coordinate the reform effort last May.



This Defense Reform Initiative will aggressively apply to the Department those business practices that American industry has successfully used to become leaner and more flexible in order to remain competitive. The resulting savings will help fund the “Revolution in Military Affairs,” including the development and procurement of a new generation of information-based weapons systems needed to ensure American military superiority in the future. Equally important, the Defense Reform Initiative is aimed at ensuring that DoD support elements are agile and responsive enough to support the warfighters, who are rapidly applying new technologies to change the way they fight.

The Defense Reform Initiative has four pillars: (1) reengineer by adopting the best private sector business practices in defense support activities; (2) consolidate organizations to remove redundancy and move program management out of corporate headquarters and back to the field; (3) compete many more functions now being performed in-house, which will improve quality, cut costs, and make the Department more responsive; and (4) eliminate excess infrastructure.

“American business has blazed a trail and we intend to emulate their success,” Cohen said. “We have no alternative if we are to have the forces we need as we enter the 21st Century.”

**Reengineering:** Examples of the Secretary’s decisions to get results by using best business practices include: instituting a paper-free contracting process for major weapons systems by January 1, 2000; creating paper-free systems for weapons support and logistics; shifting to the use of electronic catalogues and electronic “shopping malls”; ending printing of defense regulations by July 1, 1998, after which they will be available only on the Internet or CD-ROM; and replacing “just in case” military logistics with the modern business “just in time” mindset.

**Consolidating:** The Office of the Secretary of Defense will be reduced in size by 33 percent over the next 18 months. Defense Agency personnel will be cut by 21 percent over the next five years. Personnel in Department of Defense field and related activities will be reduced by 36 percent over the next two years.

In addition to cutting the size of staffs, the reform plan will lead to the establishment of a number of new organizational arrangements. Among them is the formation of a Threat Reduction & Treaty Compliance Agency to address the challenges of weapons of mass destruction. The new agency will be formed by consolidating three existing agencies: the On-Site Inspection Agency, the Defense Special Weapons Agency, and the Defense Technology Security Administration.

Other decisions by the Secretary include establishing a Chancellor for Education and Professional Development to raise the quality of civilian training and professional development to world-class standards, and enhancing the role of

the National Guard and other Reserve elements in domestic emergency response. A National Guard General Officer will serve as the Deputy Director of Military Support Operations [DOMS], and the number of Reserve personnel on the DOMS staff will be increased. These and other organizational changes in the Department's structure are outlined in the Secretary and Deputy Secretary's white paper on the Defense Reform Initiative.

**Competing:** The third pillar of the reform plan is competition. Across the Department the question will be posed: who can carry out defense support functions better, the government or the private sector? Within the Department of Defense, experience has shown that competition has yielded both significant savings and increased readiness. Regardless of who wins a competition—and historically the public sector has won about half of DoD competitions—the Department wins with higher quality and lower costs. Past competitions are yielding savings of \$1.5 billion a year.

In response to the Quadrennial Defense Review, the Department initiated competitions involving more than 34,000 positions in Fiscal Year 1997 and will pursue competitions for 30,000 positions in each of the next five fiscal years. This annual effort represents more than a tenfold increase over Fiscal Year 1996 and a threefold increase over any year in the previous two decades. The Department will build on this experience. By 1999 the Department will evaluate its entire military and civilian workforce to identify which other functions are commercial in nature and could be competed. In particular, candidates for competition include the following functions: civilian and retiree payments, personnel services, surplus property disposal, national stockpile sales, leased property management, and drug testing laboratories.

The Department of Defense will continue to pursue public-private competitions for depot maintenance to the full extent allowed by law.

**Eliminating:** The fourth pillar of the Defense Reform Initiative eliminates unneeded infrastructure. Since the end of the Cold War, the Department of Defense has reduced its military forces significantly, but infrastructure cuts lag behind. The defense budget has been cut by 40 percent, and military personnel will have declined by 36 percent by 2003. At the same time, after four rounds of base closures, the Department's domestic base structure has declined by only 21 percent.

Consequently, the Department needs to make more infrastructure reductions. Money is being wasted on keeping open excess bases. Resources can and must be directed to more effective uses, in particular to support the warfighter. The Department will call on Congress to authorize two additional rounds of base closures, one in FY 2001 and one in FY 2005. Once completed, each round will provide annual savings of \$1.4 billion.

In addition, Secretary Cohen announced that by Jan. 1, 2000, the Department will privatize all utility systems (electric, water, waste water, and natural gas) which it currently owns and operates with limited exceptions. The Department's goal will be managing energy, not power infrastructure. To do this, the Defense Fuels Supply Center will be reformed into the Defense Energy Management Center and tasked to develop a blueprint for regional demonstrations of integrated energy management within the next six months.

In announcing this Initiative, Secretary Cohen and Deputy Secretary Hamre thanked the Defense Reform Task Force, which they formed in May 1997 to recommend changes in the Department's organization, as well as American business leaders who shared insights from their own reform efforts.

To implement the initiatives announced today, Secretary Cohen is creating the Defense Management Council, chaired by Deputy Secretary Hamre, and including senior civilian and military officials of the Department. The Secretary also tasked the Council to apply similar reform initiatives to other elements of the Department, including the three military departments.

**Editor's Note:** This information is in the public domain on the World Wide Web and may be accessed at <http://www.dtic.dla.mil/defenseink> on the DefenseLINK News Home Page. Access <http://www.defenselink.mil/pubs/dodreform/report.html> to view the entire Defense Reform Initiative Report in pdf format.